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**DOMINION-SCOTTISH  
INVESTMENTS  
LIMITED**



**Thirty-Ninth  
ANNUAL REPORT  
December 31, 1967**

## Board of Directors

W. A. ARBUCKLE, C.A.

Director  
Bank of Montreal

J. K. MACDONALD

President  
Confederation Life Association

J. G. HUNGERFORD, Q.C.

Chairman  
National Trust Company

THOMAS S. JOHNSTON

Chairman  
Interprovincial Pipeline Co.

NEIL B. IVORY

Director  
Great Britain and Canada  
Investment Corporation

LAWRENCE W. SKEY, D.F.C.

Director and Treasurer  
Scudder International Investments Ltd.

## Officers

W. A. ARBUCKLE

Chairman

J. K. MACDONALD

Deputy Chairman

ROBERT W. INGLIS, C.A.

Secretary-Treasurer

## Managers

THREADNEEDLE MANAGEMENT LIMITED

(a wholly-owned subsidiary of Arbuckle, Govett & Co. Ltd.)

Head Office.....44 KING ST. WEST, TORONTO, ONTARIO

Shares Listed.....TORONTO STOCK EXCHANGE

Bankers.....BANK OF MONTREAL

Auditors.....RIDDELL, STEAD, GRAHAM & HUTCHISON

Transfer Agent and Registrar.....THE ROYAL TRUST COMPANY

Trustee.....THE CANADA TRUST COMPANY

## DIRECTORS' REPORT TO THE SHAREHOLDERS

### EARNINGS AND DIVIDENDS

Net income for 1967 amounted to \$475,454 which represents a modest decline from earnings of \$484,353 in 1966. After deducting preference dividends of \$150,000, the balance available for common shareholders was \$325,454 or 46 cents per share, against 47 cents per share for 1966. Total dividends per common share were 40 cents, an increase over the 38 cents per share paid in the previous year.

### NET ASSET VALUE

Net asset value per common share was \$17.23 at December 31, 1967, a gain of 17.3% from 1966. During 1967 the Toronto Stock Exchange Combined Index and the Montreal Stock Exchange Composite Index recorded gains of 9.9% and 11.4% respectively while The Dow Jones Industrial Average advanced 15.2%.

### INVESTMENT PORTFOLIO

The assets of the Trust were invested in 57 securities at December 31, 1967. The portfolio is listed on pages 7 to 10 of this Report and a summary is set out on page 10. It will be noted that 99.5% of the portfolio is now invested in Canadian and U.S. common and convertible preferred shares.

### REVIEW AND OUTLOOK

In 1967 the Canadian economy continued to expand with the Gross National Product increasing approximately 7%. Unfortunately at least half of this gain was attributable to higher prices brought about by inflationary wage increases whose magnitude has been running at twice the level of those in the U.S. This disparity is particularly serious as wage increases in Canada have not been accompanied by corresponding gains in productivity. The result has been a severe pressure on the profit margins of most of the major Canadian corporations operating in basic industries whose shares are normally prominent in diversified portfolios such as is held by this Company.

For 1968 a similar gain in Gross National Product has been predicted but, once again, about half the increase will probably be due to price increases. The major share of the benefits derived from the growth in our economy may thus continue to go to the wage earner with a corresponding extension of the squeeze in corporate profit margins.

### INVESTMENT POLICY

Industries which employ advanced technological concepts are less exposed to the profits

squeeze. This is also true of certain companies offering services to the consumer. Unfortunately, Canada offers an inadequate range of investments in these and other attractive areas. For this reason your Board may decide to concentrate more heavily in the U.S. where the stock markets offer a broader spectrum of investments in sectors of the economy which provide the opportunity to achieve capital appreciation. The Directors are cognizant of the fact that adoption of such a policy could possibly involve a change in the tax position and earnings of the Company.

### REVISION OF BY-LAWS

The Trust's By-Laws are basically those adopted in 1929 at the time of incorporation. Your Directors have decided that these By-Laws should be modernized to reflect changes in corporate practice since 1929 and to conform with the requirements of the Canada Corporations Act 1965. Attached to the Notice of Meetings are copies of a new general By-law, a new borrowing By-Law and a By-law changing the investment restrictions. These new By-Laws were enacted by the Board on January 24 and February 22, 1968 and will be submitted to the Shareholders for their consideration and approval at the Special and Annual General Meeting of Shareholders to be held on Monday, April 8, 1968.

Any Shareholder desiring additional information on the changes in the By-Laws should call at the Company's offices or attend the Special and Annual General Meeting to which all Shareholders are cordially invited.

### DIRECTORATE

The new general By-law increases the Board of Directors from six to eight members. To fill the two vacancies thus to be created, Mr. J. G. S. Gammell, M.B.E., C.A., of Edinburgh, Scotland, and Mr. W. J. R. Govett, of London, England, will be nominated for election at the forthcoming Annual General Meeting; Mr. Gammell for a two-year term and Mr. Govett for a one-year term. The Directors retiring at the forthcoming Meeting in accordance with the By-Laws are:

J. G. Hungerford, Q.C.  
T. S. Johnston  
N. B. Ivory

They are eligible for re-election.

On behalf of the Board,

W. A. ARBUCKLE,  
Chairman.

March 8, 1968,  
Toronto 1, Ontario.



# DOMINION-SCOTTISH INVESTMENTS LIMITED

(Incorporated under the laws of Canada)

## BALANCE SHEET

As at December 31, 1967

	ASSETS	1967	1966
<b>Current Assets</b>			
Cash .....		\$ 277,261	\$ 292,363
Accounts receivable .....		8,017	225
Income taxes recoverable .....			8,441
		<u>285,278</u>	<u>301,029</u>
<b>Investments</b>			
Investments at quoted market value .....		17,422,694	15,397,559
(cost 1967—\$13,457,574; 1966—\$12,835,174)			
		<u>\$17,707,972</u>	<u>\$15,698,588</u>

## LIABILITIES AND SHAREHOLDERS' EQUITY

<b>Current Liabilities</b>			
Accrued expenses .....		\$ 4,441	\$ 3,423
Due to brokers for securities purchased .....		220,397	29,604
Accrued bond interest .....		40,000	40,000
Income taxes payable .....		4,551	
		<u>269,389</u>	<u>73,027</u>
<b>Funded Debt</b>			
First collateral trust, Series "B" and "C" 4% bonds, due July 1, 1969 .....		2,000,000	2,000,000
<b>Shareholders' Equity</b>			
Capital Stock —			
Preference —			
Authorized —			
76,730 5% cumulative, redeemable (at \$52.50) preference shares, par value \$50 each			
Issued —			
60,000 shares .....		3,000,000	3,000,000
Common —			
Authorized —			
1,200,000 common shares of no par value			
Issued —			
713,224 shares .....		2,979,493	2,979,493
Accumulated surplus on sale of investments .....		5,066,398	4,696,275
Earned Surplus .....		427,572	387,408
Unrealized appreciation of investments .....		3,965,120	2,562,385
Total shareholders' equity .....		<u>15,438,583</u>	<u>13,625,561</u>
		<u>\$17,707,972</u>	<u>\$15,698,588</u>

On behalf of the Board:

WILLIAM A. ARBUCKLE, Director

NEIL B. IVORY, Director

# DOMINION-SCOTTISH INVESTMENTS LIMITED

## STATEMENT OF INCOME

For the Year ended December 31, 1967

	1967	1966
<b>Income</b>		
Dividends from Canadian corporations .....	\$ 505,751	\$ 518,745
Dividends from foreign corporations .....	79,960	86,452
Interest received .....	43,846	32,539
	<u>629,557</u>	<u>637,736</u>
<b>Expenses:</b>		
Administrative expenses .....	18,394	19,048
Investment advisory fee .....	7,500	7,500
Directors' fees and salaries .....	15,300	14,950
Bond interest .....	80,000	80,000
Bank charges (including interest) .....	2,957	3,522
Trustee, registrar, legal and audit fees .....	6,952	6,363
	<u>131,103</u>	<u>131,383</u>
<b>Income before Income Taxes</b> .....	498,454	506,353
<b>Provision for Income Taxes</b> .....	23,000	22,000
<b>Net Income</b> .....	<u>\$ 475,454</u>	<u>\$ 484,353</u>

## STATEMENT OF EARNED SURPLUS

For the Year ended December 31, 1967

	1967	1966
<b>Balance at Beginning of Year</b> .....	\$ 387,408	\$ 324,080
<b>Add Net Income for Year</b> .....	475,454	484,353
	<u>862,862</u>	<u>808,433</u>
<b>Deduct:</b>		
Dividends paid —		
On preference shares at the rate of \$2.50 per share .....	150,000	150,000
On common shares at the rate of \$.40 per share		
(1966—\$.38 per share) .....	285,290	271,025
	<u>435,290</u>	<u>421,025</u>
<b>Balance at End of Year</b> .....	<u>\$ 427,572</u>	<u>\$ 387,408</u>

# DOMINION-SCOTTISH INVESTMENTS LIMITED

## STATEMENT OF ACCUMULATED SURPLUS ON SALE OF INVESTMENTS

For the Year ended December 31, 1967

	1967	1966
Balance at Beginning of Year .....	\$ 4,696,275	\$ 4,362,959
Net Gain on Disposal of Investments .....	370,123	333,316
Balance at End of Year .....	<u>\$ 5,066,398</u>	<u>\$ 4,696,275</u>

## STATEMENT OF UNREALIZED APPRECIATION OF INVESTMENTS

For the Year ended December 31, 1967

	1967	1966
Balance at Beginning of Year .....	\$ 2,562,385	\$ 4,469,398
Net Increase (decrease) for the Year .....	1,402,735	(1,907,013)
Balance at End of Year .....	<u>\$ 3,965,120</u>	<u>\$ 2,562,385</u>

### NOTE TO FINANCIAL STATEMENTS

A statement of source and application of funds is not included because such a statement would not provide any information in addition to that already given.

### AUDITORS' REPORT

To the Shareholders  
Dominion-Scottish Investments Limited

We have examined the balance sheet of Dominion-Scottish Investments Limited as at December 31, 1967 and the statements of income, earned surplus, accumulated surplus on sale of investments and unrealized appreciation of investments for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,  
January 22, 1968.

RIDDELL, STEAD, GRAHAM & HUTCHISON  
Chartered Accountants



# DOMINION-SCOTTISH INVESTMENTS LIMITED

PORTFOLIO AS AT DECEMBER 31, 1967

## DEBENTURES (0.43% of net assets)

	Par Value	Market Value
Western Decalta Petroleum Ltd. 6% sinking fund debentures Series "A" due June 1, 1985 .....	\$100,000	<u>\$ 75,000</u>

## COMMON AND CONVERTIBLE PREFERRED SHARES (99.48% of net assets)

	Number of Shares	Market Value
<b>BANKS (6.77% of net assets)</b>		
Bank of Montreal .....	15,000	\$ 168,750
Bank of Nova Scotia .....	12,500	176,563
Canadian Imperial Bank of Commerce .....	20,000	280,000
Montreal City & District Savings Bank .....	6,000	58,500
Royal Bank of Canada .....	15,000	225,000
Toronto-Dominion Bank .....	20,000	272,500
		<u>\$ 1,181,313</u>

## FINANCIAL (4.75% of net assets)

Canadian Pacific Investments Ltd. 4 3/4 % Conv. Pref. ....	12,500	\$ 298,438
Great Britain and Canada Investment Corp. ....	11,000	165,000
National Trust Co. Ltd. ....	20,000	365,000
		<u>\$ 828,438</u>

## FOOD AND BEVERAGE (8.70% of net assets)

T. G. Bright & Co., Limited .....	6,000	\$ 411,000
Distillers Corporation-Seagrams Limited .....	8,000	316,000
Federal Grain Ltd. ....	30,000	210,000
Growers Wine Co. Ltd., Class "B" .....	30,000	72,000
Molson Breweries Ltd., Class "B" .....	10,000	180,000
Walker-Gooderham & Worts Ltd., Hiram .....	10,000	328,750
		<u>\$ 1,517,750</u>

# COMMON STOCKS (Continued)

	Number of Shares	Market Value
GENERAL MANUFACTURING (12.50% of net assets)		
CAE Industries Ltd. ....	40,000	\$ 410,000
Carrier Corporation .....	10,000	608,850
General Motors Corp. ....	5,000	442,800
International Business Machines Corp. ....	700	474,012
Nalco Chemical Company .....	5,000	244,350
		<u>\$ 2,180,012</u>

## HEAVY INDUSTRY (6.40% of net assets)

Dominion Foundries & Steel Ltd. ....	16,000	\$ 308,000
General Dynamics Corp. ....	5,000	357,750
General Electric Company .....	2,000	207,360
Steel Co. of Canada Ltd. ....	12,000	243,000
		<u>\$ 1,116,110</u>

## MERCHANDISING (5.17% of net assets)

Famous Players Canadian Corp. Ltd. ....	15,000	\$ 622,500
Peoples Credit Jewellers Limited .....	8,040	96,480
Tamblyn Ltd., G. ....	7,000	182,000
		<u>\$ 900,980</u>

## METALS AND MINING (11.91% of net assets)

Alcan Aluminium Limited .....	12,000	\$ 340,500
British Columbia Molybdenum Ltd. "Warrants" .....	10,000	82,500
Hollinger Consolidated Gold Mines Limited. ....	12,000	342,000
International Nickel Co. of Canada Ltd. ....	6,000	756,000
Noranda Mines, Limited .....	7,000	362,250
Opemiska Copper Mines (Quebec) Ltd. ....	20,000	193,000
		<u>\$ 2,076,250</u>



# COMMON STOCKS (Continued)

	Number of Shares	Market Value
PAPER AND FOREST PRODUCTS (6.58% of net assets)		
Abitibi Paper Co. Ltd. ....	16,000	\$ 130,000
Columbia Cellulose Co. Ltd., \$1.20 Cum. Red. Conv. Pref. ....	10,000	133,750
MacMillan, Bloedel Ltd. ....	25,000	587,500
Price Company Limited ....	30,000	296,250
		<u>\$ 1,147,500</u>

## PETROLEUM AND PIPELINES (13.87% of net assets)

Ashland Oil & Refining Co. ....	10,000	\$ 388,800
British American Oil Co. Ltd. ....	11,000	418,000
Canadian Hydrocarbons Ltd. ....	20,000	242,500
Imperial Oil Ltd. ....	6,000	420,000
Interprovincial Pipe Line Co. ....	35,000	756,875
Texaco Canada Ltd. ....	6,000	192,000
		<u>\$ 2,418,175</u>

## PRINTING AND PUBLISHING (8.45% of net assets)

British American Bank Note Co. Ltd. ....	5,000	\$ 350,000
Moore Corporation Ltd. ....	12,000	351,000
Southam Press Ltd. ....	10,000	462,500
Sun Publishing Co. Ltd., Class "A" ....	10,000	310,000
		<u>\$ 1,473,500</u>

## PUBLIC UTILITIES (9.45% of net assets)

British Columbia Telephone Co. ....	10,000	\$ 531,250
Consumers' Gas Co. ....	22,000	440,000
Quebec Telephone ....	15,000	211,875
United Gas Corporation ....	5,000	464,400
Sundry Securities ....		41
		<u>\$ 1,647,566</u>

# COMMON STOCKS (Continued)

	Number of Shares	Market Value
TRANSPORTATION (4.93% of net assets)		
Canadian Pacific Railway Co. ....	2,000	\$ 117,000
New York Central Railroad Co. ....	3,000	243,810
Overland Express Ltd., 60c. Cum. Conv. Pref. ....	3,000	33,000
Pan American World Airways, Inc. ....	10,000	257,850
Seaboard Coast Line Railroad Co. ....	4,000	208,440
		<u>\$ 860,100</u>
TOTAL COMMON AND CONVERTIBLE PREFERRED SHARES .....		<u><u>\$17,347,694</u></u>

## SUMMARY

		% of Net Assets
DEBENTURES .....	\$ 75,000	.43
COMMON AND CONVERTIBLE PREFERRED SHARES .....	17,347,694	99.48
CASH AND CASH ITEMS (NET) .....	15,889	.09
TOTAL NET ASSETS .....	<u><u>\$17,438,583</u></u>	<u><u>100.00%</u></u>

# DOMINION-SCOTTISH INVESTMENTS LIMITED

## *Ten-Year Financial Summary*

Year Ended Dec. 31	Gross Income	Bond Interest	Expenses	Income Taxes	Net Income	Total Net Assets	Funded Debt and Preference Shares *	Available for Common Shares	Asset Value per Common Share
1958	\$283,055	50,000	29,468	8,100	195,487	8,154,255	3,434,362	4,719,893	8.80
1959	296,320	50,000	32,205	12,000	202,115	8,303,325	3,428,850	4,874,475	9.09
1960	319,494	50,000	37,604	17,000	214,890	8,360,966	3,428,430	4,932,536	9.21
1961	359,103	50,000	38,422	16,000	254,681	10,039,031	3,428,430	6,610,601	12.34
1962	369,870	50,000	39,156	10,000	270,714	10,458,791	4,650,000	5,808,791	10.85
1963	403,080	50,000	37,097	10,700	305,283	11,518,886	4,650,000	6,868,886	12.84
1964	449,532	76,515	39,489	10,700	322,828	13,568,928	5,150,000	8,418,928	15.74
1965	585,728	80,000	48,105	23,000	434,623	17,135,930	5,150,000	11,985,930	16.80
1966	637,736	80,000	51,383	22,000	484,353	15,625,561	5,150,000	10,475,561	14.69
1967	629,557	80,000	51,103	23,000	475,454	17,438,583	5,150,000	12,288,583	17.23

\*Preference shares at redemption price of \$52.50.



